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## AN APPEAL TO "THE SOBER READER"

In the April number of this Journal Professor H. J. Davenport pays me the distinction of a record-breaking fifty-page review of my *Economic Principles*. I have no intention of entering upon a discussion of the merits of the theoretical issues thus raised, but would claim enough space to correct a few of the very serious misstatements of my position.

The whole structure of his adverse criticism is built upon the assertion that I have confused my definitions, especially those of value and price. It is impossible to make a gun blunder-proof, for, if one points the muzzle at his head and pulls the trigger, he is liable to be hurt. And it is equally impossible to frame a definition that may not produce fatal results if some critic reverses its meaning. So, in this case, after nearly two thousand words of examples of alleged confusion in my use of the terms value and price, my reviewer calmly remarks: "Possibly, then, many of the perplexing shifts and interchanges of the meanings of terms could be explained by a careful noting of the changes in the point of view," i.e., as he has just said, "between the individual aspect of the problem of choice (subjective value), . . . and the commercial or price aspect" (p. 331). Most emphatically, not merely "many" but substantially all the cases could be thus explained, and they would thereby cease to be perplexing shifts. The "gratuitous confusions" that the critic has found are those he has himself made by conveniently substituting his own concepts of value and price for those he is criticizing. To ignore the aforesaid distinction leads to the formidable array of nonsense which the reviewer has sought (in current phrase) to "wish upon" me. But with this distinction made, a great mass of traditional confusion can be cleared away, much of which, unhappily, still finds lodgment in the reviewer's mind.

My definition of the term utility is condemned by Davenport as another departure from current usage. For himself, he is "content," he says, with the definition of utility in the sense of

"mere desire" (p. 320). It is true that, as the result of the Benthamite influence, the word utility came to share that meaning in English economics. But this innovation incurred the penalty of ambiguity, and the meaning continues to be out of accord with usage both in popular speech and in other sciences, where utility connotes, more generally, effectiveness for survival and welfare, quite apart from any desire or knowledge on the part of the individual.<sup>1</sup> The concept of utility employed by me is therefore not "peculiar and novel," as my reviewer thinks (p. 318). Neither is the idea in utility, as I use it, psychological, or hedonistic, or ethical, as he asserts and thereupon waxes merry (pp. 318-19). Now, he might change his indictment from novelty to lack of originality, if that would amuse him.<sup>2</sup>

<sup>1</sup> Innumerable examples might be cited: e.g., see Titchener, *A Textbook of Psychology*, p. 159, for the explanation of the origin of tickling "on the ground of utility"; and see Darwin, *Origin of Species*, for many passages where use and utility are connected with ideas of benefit to the species, welfare, survival, service to the race, etc., entirely free from any psychological or ethical connotation. In all these cases the only choice implied is of the impersonal sort made by the forces of nature—natural selection. Utility, either biological or sociological, thus used, means a fact, not a desire—a fact which remains so whatever be the wish or judgment of men individually or collectively.

<sup>2</sup> The truth is that the utilitarian terminology vitiated the English translations of the Austrian economists' writings. Davenport is still (as in some measure we all have been) the victim of this confusion. He asserts that "marginal utility is interchangeable with subjective *Wert* (worth) in the Austrian terminology" (p. 324). And again he says: "The *Grenznutzen* of German usage is merely marginal utility—subjective worth" (p. 326). That is, *Wert*=marginal utility=*Grenznutzen*=subjective worth. Boehm-Bawerk says that the keystone of his "theory of value" (English tr., p. 149) is the proposition: "Der Wert eines Gutes bestimmt sich nach der Grösse seines Grenznutzens" (*Positive Theorie*, 2d ed., p. 158). Taking Davenport's equivalents as above, this would be translated: The subjective worth of a good is determined by the amount of its subjective worth; or, if you prefer, the marginal utility of a good is determined by its marginal utility. Undoubtedly, however, *Wert* and *Nutzen* have different meanings in German. William Smart has rightly translated *Wert* as value, but Davenport says that here it should be worth, and he proposes to translate "the German *Wert* into worth and value according to the particular occasion" (p. 326). The German *Wert*, I maintain, is always best translated as value (a quality), whereas a valuation is a *Wertschätzung*. Smart's translation of *Grenznutzen* is "marginal utility." But general analogy as well as the context shows that *Nutzen* in the Austrian theory means not an abstraction, utility, but use in the concrete, in a particular application (*Verwendung*) of a thing, as in Boehm-Bawerk's well-known example, the use of a bag of grain for feeding a parrot. In the Austrian theory it is recognized that there are various concrete uses possible

Davenport deplores the small place allowed in my discussion to utility (p. 318).<sup>1</sup> He asks with concern (p. 321) what I have offered to take the place of the word which I am "trying to get along without" (p. 323). He says: "He dismisses the term utility from the price analysis; but, once rid of it, succeeds in finding nothing in its stead" (p. 325). The reply to this is, I dare say, obvious to every reader who approaches the book with a desire to see what the author means. In most connections it is the word *use* that in my treatment expresses the operation of an object, in any particular application, as in German it is the word *Nutzen*. The word *use*, in this more concrete sense, occurs continually in my treatment, and it is analyzed with particular fulness in chaps. ix-xv. This I venture to believe is "a new statement" of the subject (with humble apologies to Professor Davenport, who objects to that phrase, and with modest appreciation of the fact that the word *use* is derived from the Latin and was not invented by me).

It could not be expected that a critic who has so distorted the elementary conceptions in the book would be able to interpret in a manner helpful to readers the larger problems in it. Davenport devotes ten pages (pp. 333-43) to my views on cost of production—as much as is given to the theoretical aspect of the subject in the book itself. Again I must warn the readers that my views

for any unit of a stock of like goods. Each of these possible uses has a certain importance to the economic subject under particular conditions, and, according as he estimates this importance, the good takes on an abstract quality, *Wert*, in his eyes. There is, despite Boehm-Bawerk's half-confessing later attempts (see *Positive Theorie*, 3d ed., 1912, pp. 310-30) to explain it away, a flavor of utilitarian calculation about this, which, when he first wrote, was inevitable; but that does not concern us just now. Smart's translation, however, does not do full justice to the thought, and Davenport's proposed amendment of the German language would render confusion worse. It may be added that in the *American Economic Review* for December, 1912, I presented a detailed historical study of the terminology of price in its relation to value. The Austrian terminology was there particularly discussed. In a personal letter to the writer the now lamented Boehm-Bawerk expressed unqualified approval of the conclusions in that article.

<sup>1</sup> Davenport by implication attributes to me the authorship of the phrase "the paradox of value": "this, one might, with Fetter, well call the 'paradox of value' were it, in fact, more than a mere confusion of utility with value" (p. 323). This phrase (with the conception) of course is von Wieser's. Davenport may, therefore, be left to settle with von Wieser the confusion between utility and value in the *Werthparadoxie* (*Der natürliche Werth*, p. 27).

are not correctly represented. In the main, Davenport seems to approve my treatment ("cost is rightly presented," p. 333), but seeks to show that the Simon-pure doctrine of opportunity cost is at certain points "repudiated" (p. 332), or is "defectively applied" (p. 333). Opportunity cost is a favorite theme of Davenport's. It was an important feature of his *Value and Distribution*, in 1908. He there recognized that it was "everywhere implied in economic discussion" and had been "given adequate formulation" by David I. Green in 1894, who had suggested the term. Despite his faith that everyone else believes it, he is convinced that I do not, and he declares that I hold "the cost price of each item employed in any one commodity . . . to be the price which it would command if used in ministering to the demand for some alternative product" (p. 336). He seems, nevertheless, to think that this is about right in most cases, "but," he exclaims, "suppose an agent or instrument can be used in only one particular line of production, the line in which it is actually used." At this point he seeks to force upon me the doctrine that "only money outlays would bear upon the case" (p. 340) of the selection of an occupation or of the choice in using material agents. He believes this view, however, to be out of harmony with my whole doctrine of choice and of psychic income, as indeed it is. He cites a number of examples to prove what my fundamental doctrine is, and he might have multiplied them many fold. But instead of aiding him, as they should, to a fair interpretation of my view, they serve merely to excite his immoderate derision of what he imagines to be my inconsistency (p. 340).

But where does he find evidence that is sufficient, in his judgment, to contradict the whole tenor of my economic philosophy? Some words are culled (p. 339) from a portion of my book (p. 350) where I was showing the various meanings of cost, popular and inexact. The particular words which seem to be taken as my repudiation of the doctrine of choice are these, just as quoted by Davenport: "In business . . . cost of production is money cost . . . merely the sums of money paid out by the producer" (p. 339). Unfortunately for scientific accuracy, this quotation is so selected as to convey an entirely false impression. The full

sentence in my book (p. 350) is: "The sense in which cost is mostly used in business in the common phrase 'cost of production' is money cost. It expresses not the pain of the laborer in doing the work, not the sacrifice of the owner of the capital in saving the money, but merely the sum of money paid out by the producer." In the section following I further pronounced these ideas to be superficial and contrasted them with more fundamental ideas. Could there be a more complete (I do not say deliberate) perversion of an author's meaning?

Davenport quotes other passages (p. 336) in the attempt to show that I hold that the only "cost price" that influences the enterpriser's action is "the price which [each item] would command if used in ministering to the demand for some alternative product." A careful reading of the passages which Davenport quotes is the best corrective of the twisted interpretation he gives to them. It is plain, when the word value is taken in the sense of my definition, that I am presenting a value-equilibrium theory, not an alternative-price theory, of enterpriser's action. I do not say (as he seems to allege in a long discussion, the consistent purport of which, I must confess, is not always evident to me) that the value of an item to the enterpriser is determined merely by the price it will bring in an alternative use, but I do say that it is determined "in view of the whole situation"; "under the marginal rule in all its applications" (not in another use merely); "in the totality of its products." In some cases, however, as is recognized in my discussion, the alternative use may be the more valuable use, and this, appearing in the concrete form of a higher price (quantum of other goods), would divert the agent to the other use. My statement, "products of a higher value outbid and exclude those of a lower," certainly does not mean that products in an impossible use are the determining factor for the value in the actual use. Again, there are some cases where there is no alternative use and others where the price of an alternative use is no fair index of what the item can be made elsewhere to yield. I am not saying a word here for the purpose of arguing the merits of this theoretical question itself, but merely to show that my views are not as represented by Davenport.

I had hoped to find in Davenport's discussion of my interest theory, if nowhere else, some evidence of an attempt to state my views fairly before criticizing them. But the case here is worse (if that is possible) than in the matters before discussed. It should be understood that as far back as 1904<sup>1</sup> I limited my use of the term interest to its earlier meaning of a contractual price paid for a loan in terms of money, and have usually denominated as the problem of time-preference, the more subtle subjective aspect of the choice of goods with reference to time.<sup>2</sup> In my view, as interest (thus understood) arose long subsequent to general time-preference and to extensive capitalization of durative goods, so it follows logically a discussion of those problems. The payment of interest, as I conceive of it, begins and continues as a relatively superficial aspect of a general value and price<sup>3</sup> situation in a community. This is merely by way of restatement of something that surely is understood by Davenport. In accordance with this view I treat the more individual, the value, aspects of the problem in earlier chapters on time-preference (chaps. xx and xxi), then proceed to discuss the function of money and the process of capitalization involved in buying and selling goods and incomes (chaps. xxii and xxiii), and finally come to saving and borrowing and the problem of interest on loans in terms of money (chaps. xxiv and xxv).

In view of this it is hard to explain how Davenport could base pages of discussion of my interest theory entirely on passages extracted from the chapters on time-preference (see p. 344) which come long before the word interest has occurred in my text. He declares (p. 343): "It is directly and immediately by the bearing of this element of time upon the desires for goods that Fetter constructs and substantially completes his explanation of interest" (p. 343). "Were, indeed, interest the mere fact of time-preference [implying that this is my view] and were, indeed, the actual interest fact a case of mere time-preference on goods" (p. 344); "Interest is, therefore, presented as itself the demonstration of the fact that

<sup>1</sup> *The Principles of Economics*, p. 131.

<sup>2</sup> See my article in the *American Economic Review*, IV, March, 1914.

<sup>3</sup> Each of these words has its special significance, be it noted.

‘powerful and universal influences work in favor of present gratification’” (p. 344, referring to *Economic Principles*, p. 240, fifty pages before I have entered upon the discussion of interest). And again, indulging in sarcasm at some comparisons I have made, in the chapter on time-preference, between animal and human behavior, Davenport reproves the writer for not confining “attention to his actual problem—why in a human society . . . money loans command their rate or rates of money interest” (p. 345). I submit that this was *not* at that point (where the word interest had not yet been mentioned) my actual problem, and that it is laying it on rather strong for a critic to advise an author how he ought to have treated the subject at the very moment that the critic is refusing to see how, or is misrepresenting to his readers the way in which, the author has treated it. There are other burlesque statements of my idea of interest in the article, but these examples suffice to show that my reviewer has given no discussion of it that would be worthy of a moment’s attention on the part of any reader except for amusement.

Despite his many misrepresentations, I express entire confidence in the honesty of my critic’s intentions, even though to do so comes near to making an overdraft on the bank of Christian grace. The mystery of his performance is not so deep when one considers that it was my sad duty to review unfavorably in a number of respects, his last book, *The Economics of Enterprise*,<sup>1</sup> a task which I undertook with the friendliest purpose, in the expectation of rendering a favorable opinion. Alas, scratch a cold-blooded scientist, and it is a hot-blooded debater who bleeds. The review before us is very evidently pervaded from first to last by feeling rather than by intellect. It expresses resentment, not judgment. It therefore may be interesting, but cannot be illuminating. It might have been in some measure profitable if Davenport had undertaken to reply earlier and more directly to the very specific objections which I presented to some of the doctrines in his book. In the two years that have elapsed he has not done so in any way except now, by indirection, in this review of my book. *Haec fabula docet*, that he who hopes to publish a book lives in a glass house.

<sup>1</sup> *Journal of Political Economy*, June, 1914.



I acknowledge the brickbats. But if such a method of retaliation is permitted to be sought out by offended authors, the average quality of economic reviewing (which after all, is not so bad, but of which Professor Davenport, more than anyone else among American economists, has in the past frequently and loudly complained) will sink to yet lower levels.

Professor Davenport raises certain personal questions in a note at the close of his review. In his last book he evoked astonishment (1) by his indictment of all contemporary economics (except his own) and (2) by cutting himself off from any relation with the modern school of theorists with which his name was generally connected.

As to the first, the evidence with citations is abundantly given in my review,<sup>1</sup> to which I refer the reader. His denunciation was violent in tone. But what was worse, it involved very false assumptions as to the opinions and the spirit of work of contemporary economists. It is gratifying to note the entire absence, in this review, of the repetition of any such sentiments. This indicates some change of spirit, and rewards my not unkindly meant strictures, if these aided in any way in bringing him to a juster recognition of his relations and duties to the guild of social economists.

In regard to the modern theory, he professed repeatedly in his book to be conservative, as in respect to practice he had declared himself most radical.<sup>2</sup> With a certain exaggeration of the hope of others, he declared himself "entirely out of sympathy" with his fellow-workers "whose hope rests solely in building entirely anew" (Preface, p. v). At the same time he condemned, as if they were held by all contemporary economists, theoretical opinions that are cherished only by the conservative upholders of the Ricardian traditions. I did, indeed, take him to task for thus misrepresenting others and cutting himself off from those with whom were shared many, though happily not all, of his opinions. He now impliedly admits, however ungratefully, the truth of my contention that many of the features of his doctrine—the sounder ones, we trust—belong

<sup>1</sup> *Journal of Political Economy*, June, 1914, pp. 562-65.

<sup>2</sup> For evidence with citations, see my review, June, 1914, pp. 550-52.

to the modern theory which he there rejected. He now sets forth a just, if not penitent, doctrine of the community of scholarship, and of the give-and-take of minds, that is in pleasing contrast with the isolated policy of the book I had the ill fortune to review. Indeed, the emphasis now is upon the opposite and better thought of the solidarity of the modern theory, with a willingness, even a desire, to be accounted a contributor to it.

His change of attitude sufficiently justifies my criticism, but unfortunately he has misread its letter and spirit. His declaration that I complained because he had denied me "proper credit" (p. 360) cannot be supported by a single phrase in my review, reasonably interpreted. My only statements that could possibly be twisted into such a meaning, even by a twisting genius, refer to his effort to cut himself loose from responsibility for and connection with "the modern theory," as just shown in the last paragraph. I condemned, rather than complained against, his new attitude toward his fellow-economists, but I was not concerned then with the authorship of particular doctrines or with the credit due to particular persons.

His reply to the charge which his imagination conjured up is an ingenious mixture of the *argumentum ad hominem*, and *ex post facto*. What if he did deny credit to me in 1913; have I not been guilty of the same offense in 1915? And, further, he did not deny credit to me nor anyone else in 1913, because he gave generous credit to everyone in 1908, which, as he withdrew it in sweeping terms in 1913, he naturally did not think it necessary to repeat.

I am happy to add that there is in preparation, to accompany the *Economic Principles*, a bibliography which has been delayed by the work on Vol. II. When it appears, due reference to Professor Davenport's earlier services to critical studies will be made, so far as such references may be pertinent in an elementary textbook that is in no wise controversial in treatment. This will be done in accordance with the new authorization he has just given to count him again as in sympathy with the modern theory—unless he, in the meantime, again repudiates any connection with it.

The reading of Davenport's alleged review of my *Economic Principles* may reveal much of the reviewer's processes of thought,

but worse than nothing of my doctrines. The evidence of this that has already been given might be multiplied in detail. The readers who may be interested to know what is in my book are invited to go direct to it to form their judgments. They will find many matters plain which the reviewer has involved in obscurity. In his *Value and Distribution*, he demonstrated critical talents of a high order. His recent caricature of the ideas he was reviewing must make us ask whether we moderns usually torture as badly as this the theories of the departed worthies, or whether, perhaps, an author cannot hope for a fair interpretation until he has become "a dead one." Certainly Davenport has added a new terror to the grave if economists must expect their thought to be mangled in this way after they are no longer able to raise their voices in protest.

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